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Social Exclusion in Latin America: Introduction and Overview

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Introduction¹

It is now well established that income inequality is higher in Latin America and the Caribbean (LAC) than anywhere else in the world and that, precisely because of this high inequality, absolute poverty rates are much higher in this region than one would predict on the basis of average income.

It is important to know, however, the extent to which inequality is driven by individual differences in ability and work ethic rather than by differences in opportunities. Thus, if some individuals prefer to work more hours or to invest more energy in their work than others, the income inequality that will occur as a result of these differences would not necessarily be a policy issue. In fact, reducing this type of inequality through policy interventions could well lead to *reductions* rather than increases in welfare.

But this type of “efficient” inequality probably does not explain the extent of inequalities in Latin America and the Caribbean. Rather, inequality in Latin America and the Caribbean likely originates substantially from the absence of opportunities for large segments of the population. The outright (or implicit) exclusion of some groups on the basis of their gender, ethnic origin, place of residence or social status may in turn explain inequality of opportunity.

This paper presents the results of an Inter-American Development Bank Research Network project on “Social Exclusion in Latin American and the Caribbean.” The object of this project is to document and analyze the extent and consequences of some specific types of social exclusion in Latin America. The project has concentrated on some particular forms of exclusion that are important for the determination of income—and thus poverty and income inequality—and that are relatively amenable to quantitative analysis. The purposes of the project are also to shed some light on the mechanisms of social exclusion, and to provide some guidance for policies aimed at addressing them.

This paper presents an overview of and introduction to the project and to the resulting papers. Section 1 provides some motivations for the study based in substantial part on attitudes towards social exclusion in the region. Section 2 summarizes the analytical framework used for

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the project. Section 3 is a summary and synthesis of the five empirical studies that were undertaken as part of this project, and Section 4 concludes. Appendix 1 presents an annotated outline of selected studies on social exclusion, which provides a general guide to the literature in this area.

1. Attitudes towards Social Exclusion across Countries in Latin America

1.1 What do Latin Americans Think about Exclusion?

This project is devoted mainly to the reality of social exclusion in Latin America. That reality has many faces and multiple dimensions, as shown in the different papers undertaken as part of this project. Latin Americans themselves also perceive that reality in different ways. Here we describe these perceptions using the *Latinbarometer*, a public opinion survey that is carried out yearly in 17 Latin American countries.²

In the last round of the *Latinbarometer*, people were asked to mention the most discriminated group in their countries of residence. Answers could include groups according to ethnic background, nationality, class, gender, sexual orientation and political affiliation. The vast majority of the answers were concentrated in three groups out of 25 listed: Blacks, Indians, and the poor. In short, race and class are perceived as the main grounds for exclusion and discrimination in Latin America.

Perceptions about the groups most discriminated against vary widely from country to country. In Brazil, for example, half of the respondents mentioned that Blacks are the group most discriminated against, and in Guatemala almost 60 percent stated that Indians face the greatest discrimination, whereas in El Salvador 70 percent mentioned that the poor are the most discriminated against. As shown in Table 1, one could classify Latin American countries into two groups according to their citizens' perceptions of who faces the greatest discrimination. The first group includes all countries where most respondents singled out a racial group as the most discriminated against and the second includes the rest of the countries. This classification makes

² The *Latinbarometer* has been regularly conducted in 17 Latin America countries since 1995. Roughly 1,000 individuals are interviewed in each country each year. The sampling method varies slightly from country to country, as implementation is contracted out to national polling firms. However, in most cases, selection procedures include some quotas to ensure representation across gender, socioeconomic status, and age. The survey is restricted to urban populations, and the emphasis is on political perceptions and attitudes. For more details see IADB (2000).

it possible to separate countries where the main social cleavages have a racial underpinning from countries where they are based on class.

The first group comprises Bolivia, Brazil, Ecuador, Guatemala, and Panama, all countries where a high percentage of the population is either Indian or Black. The second group comprises the rest of the countries, including all of those where only a minority is Indian or Black. Not surprisingly, the data suggests that countries where Indians or Blacks represent a high percentage of the population are also countries where these groups are perceived as the most discriminated against. Hence, Indians are perceived as the most discriminated against in Bolivia and Guatemala, and Blacks are perceived in the same way in Brazil and Panama. In Argentina and Uruguay, where the racial makeup is much more homogenous, the poor are perceived as being the group most discriminated against.

The last round of the *Latinbarometer* also includes questions on the extent of discrimination against Indians and Blacks. Specifically, people were asked to rank the extent of discrimination against these groups on a scale from one to ten, where one means the absence of discrimination and ten means the presence of outright discrimination. Specific questions were asked about different forms of discrimination, including questions about the extent of discrimination at the workplace, at school, in political parties and by the police and the courts.

The answers show a high correlation among the individual responses about the different forms of discrimination. Those who feel there is discrimination in the workplace also feel that there is discrimination at school and in political parties and by the police and the courts. In other words, few individuals appear to be able (or willing) to discern different degrees of discrimination in different venues and institutions. In addition, the data show that the mean of the responses on discrimination against Indians is 6.5 (with a large variance), and the mean of responses about discrimination against Blacks is 6.0 (also with a large variance). In sum, the data indicate that while most Latin Americans do believe that there is discrimination against Indians and Blacks, they hardly agree on the extent of the problem. The differences are large not only across countries, but also among citizens of the same country.

Figure 1 presents the differences across countries in mean perceptions of discrimination against Indians. Perceptions are very high in Paraguay, Bolivia and Mexico and much lower in Panama, Nicaragua and Uruguay. Figure 2 does the same for discrimination against Blacks. In this case, perceptions are the highest in Brazil, Ecuador and Peru, and the lowest in Paraguay,

Nicaragua and Uruguay. Overall, the extent of perceived discrimination against a racial group is higher, the higher the share of that group in a country's population.

Perceptions about discrimination against Indians and Blacks vary across racial groups in a predictable fashion. As shown in Figure 3, Indians perceived more discrimination against themselves than do other racial groups. Likewise, Blacks perceived greater levels of discrimination. In general, people of European descent report lower levels of perceived racial discrimination than both indigenous people or people of African descent.

The data also show that the extent of perceived discrimination against Indians and Blacks is higher among the educated and the young, and, to a lesser extent, among women. Once differences in education and age are taken into account, perceptions about racial discrimination tend to be higher among middle-class individuals than among either the very poor or the very rich, which suggests that the core support for policies against discrimination can be found in the middle classes.

In spite of widespread perceptions of racial discrimination, Latin Americans are not fully supportive of racially based social investments. When asked what they would prefer (i) a social policy aimed at improving the living conditions of the poor not targeted by race or (ii) a similar policy aimed at improving the living conditions of Indian and Black communities, most respondents opted for the first choice. This result notwithstanding, many Latin Americans support drastic policies against discrimination. Most respondents stated that passing laws guaranteeing either the same salary for the same job to all racial and ethnic groups or the harsh punishment of those who commit discriminatory acts is paramount in helping to solve discrimination problems in the region.

1.2 Race and Socioeconomic Status in Latin America

A high and persistent correlation between race and socioeconomic status is usually considered as a sign of discrimination and social exclusion. Although this is not necessarily so in all cases and circumstances, such a correlation will be very difficult to account for without invoking the presence of some type of racial-based exclusion. If only for this reason, it is worthwhile to consider the evidence on the association between racial affiliation and status.

The last round of the *Latinbarometer* included information about both the race and the socioeconomic status of the respondents. All respondents were asked to report their racial or

ethnic affiliation. In addition, all respondents were asked about their possessions of durable goods and the main features of their dwellings, which can be used to infer their socioeconomic status. We distinguish three racial groups (Blacks, Indians and others), and divide up all respondents into quintiles of socioeconomic status.³ In the survey as a whole, 12.5 percent of the respondents classified themselves as Indians and 8.9 percent as Blacks. Guatemala, Mexico and El Salvador have the highest percentage of Indians, and Brazil and Panama the highest percentage of Blacks. With some caution, these numbers can be taken to be representative of the urban populations of the countries under analysis.

Figure 4 shows that Indians and Blacks are disproportionately represented in the lower quintiles.⁴ Indigenous individuals represent 12.5 percent of all respondents and 16.6 percent of those belonging to the first quintile. Blacks represent 8.9 percent of all respondents and 11.6 percent of those in the first quintile. There are also sizable differences in education among races. Average schooling is almost a full year lower among Indians and Blacks than among the rest of respondents. Not surprisingly, then, Blacks and Indians are more liable to complain about their economic well-being: while 38 percent of Blacks and 29 percent of Indians reported that their economic situation is either bad or very bad, only 25 percent of people from other races did so.

1.3 Other Differences between Races

There may be many other relevant differences between races that can provide important clues, not only on the extent of exclusion and discrimination, but also on the mechanisms whereby these problems affect socioeconomic outcomes. Relevant dimensions in which differences among races may exist include political participation, social capital and general perceptions about the role of the state and the access to opportunities.⁵

Differences in political participation, for example, may help explain political biases in favor of one group and against another. If people from one racial group participate in politics less

³ The procedure to compute the quintiles of socioeconomic status entails three main steps. First, we use principal components to compute a weighted average of the relevant household variables. We then rank all households on the basis of this average and, finally, we use the corresponding ranking to compute quintiles of socioeconomic status (see Gaviria and Pagés, 2001, and Filmer and Pritchett, 1998 for details on this procedure).

⁴ This figure and all figures below are based solely on differences among residents of the same country (i.e., cross-national differences were eliminated from data).

⁵ Social commentators in the United States often cite the differences in the opinions between Blacks and Whites on a whole range of issues, from the advantages of affirmative action programs to the fairness of the justice system, as symptomatic of the racial divide of this country.

assiduously than others do, social decisions would be biased against them. Besides, low political participation by one group may be self-reinforcing; that is, people from this group do not participate in politics because they have been regularly left out, and they have been left out precisely because they do not actively participate. If only for this reason, it may be interesting to study the differences among races in political participation.

Figure 5 shows that no sizable differences are observed in mean political participation among individuals from different races. As shown, no differences among races are apparent in the fraction of individuals that reported being interested in politics (26 percent), or in the fraction that report that they regularly contact local governments (24 percent) or non-government organizations (23 percent). These results do not depend on whether differences among races in education and socioeconomic status are controlled for.⁶ Taken together, these results cast serious doubts on any attempt to explain political biases on the grounds of participation differentials across races.

Differences in the extent and density of social networks (that is, differences in social capital) may help explain differences among racial and ethnic groups, not only in socioeconomic outcomes but also in life satisfaction and other indicators of subjective well-being. As many fashionable theories have it, social capital (or the lack thereof) can explain why some people are richer, happier and healthier.⁷

Figure 6 shows that differences among racial and ethnic groups in social capital are insignificant, at least insofar as social capital can be measured by self-reported propensities to participate in civic organizations. After differences in education and socioeconomic status are taken into account, the fraction of individuals that participate in at least one civic organization is two percentage points greater among Indians and Blacks than among individual from other racial or ethnic groups. In this instance, however, one should not put all the emphasis on participation, if only because participation in some organizations can promote social isolationism, thus adversely affecting socioeconomic outcomes.

Differences among races in subjective well-being can also be of interest in their own right, as they complement the objective indicators mentioned above. Figure 7 shows that the

⁶ IADB (2000) shows that political participation in Latin America is also very similar among groups of socioeconomic status.

⁷ See, for example, Putnam (2000), who argues that the decline of social capital is at the heart of many social problems affecting the United States.

fraction of individuals that report that they are satisfied with their lives is at least five percentage points lower among Indians and Blacks than among individuals from other races. This difference decreases only marginally after controlling for differences among races in education and socioeconomic status, meaning that the lower levels of life satisfaction among Indians and Blacks apparently go well beyond what one should expect given their relatively lower socioeconomic outcomes.

Although it may be tempting to interpret these differences as reflecting the psychological costs of exclusion, they may also be driven by unobserved differences in material possessions, occupational status or social mobility.

1.4 Attitudes in Latin America

The previous results indicate that people in Latin America hardly agree on who faces the greatest exclusion and discrimination: many think that exclusion is mainly racially based, but many others think that exclusion is directed mainly toward the poor regardless of their race. Likewise, people agree neither on the extent of discrimination against Indian and Blacks nor on the justification of social investments targeted by race. However, people appear to agree on the importance of enacting laws that compensate the victims and punish the perpetrators of discrimination.

The results also show that race is predictably associated with objective and subjective indicators of socioeconomic well-being. Whether this association is due to discrimination and exclusion cannot be determined on the basis of the data at hand. This question constitutes, however, one of the main themes of this project, and one of the main motivations behind the methodological discussion to be presented in the next section.

2. Analytical Framework

In this section we first set out the definition of social exclusion that is used in this project. Then we present the specific objectives of the project, and finally we discuss some methodological aspects of the analysis that individual studies in this project have undertaken.

2.1 Definition of Social Exclusion for the Purposes of this Project

For many people, social exclusion is like pornography: it is hard to define, but they “know it when they see it.” Others use a range of definitions of social exclusion. For this project we define social exclusion as: “the denial of equal access to opportunities imposed by certain groups of society upon others.” Such groups can be defined on the basis of religious beliefs, geographic location, ethnic origin, race, nationality, socioeconomic status, legal status, or other characteristics. The opportunities on which the project focuses include those related to schooling and labor and credit markets.

Efforts to deny access to opportunities can be explicit (e.g., homeowners enact zoning regulations so as to restrict access to their neighborhood, alumni control admissions to elite universities, bank officials discriminate against individuals on the basis of race) or implicit (e.g., housing prices prevent disadvantaged groups from moving to better neighborhoods or attending better schools, health care or health insurance prices prevent “excluded” groups from obtaining better health care).

According to this definition, social exclusion occurs if the following two conditions apply: (i) social interactions occur predominantly within groups and (ii) group membership has a sizable impact on access to opportunities for socioeconomic advancement. For example, a society in which individuals interact mainly with other individuals of the same race and in which such interactions conditional on race are key to access to jobs, credit, schooling opportunities and health care options is, according to our definition, an exclusionist society.

Exclusion may take other very different forms. Perhaps the most evident form of exclusion is institutionalized exclusion, in which some groups are denied voice and representation in public decisions. Women and minorities, for example, were not allowed to vote in many countries as late as the 1960s. But equality before the law does not mean the absence of exclusion. Notwithstanding their legal right to vote, many social groups in Latin America and the Caribbean have long been ignored by politicians and governmental officials and, as a result, have had little representation despite their legal rights to participate in politics. But, as interesting as this type of exclusion is, the project does not focus on it. This project instead focuses on exclusion as related to human capital investments, such as schooling and health, and as related to income, such as labor and capital markets.

2.2 Objectives of the Project

Given the definition of social exclusion set out in Section 2.1, the project has three specific objectives:

1. To measure social exclusion and assess its consequences.
2. To identify the mechanisms through which social exclusion affects individuals.
3. To provide elements that policymakers can use to address the problem of social exclusion, or, alternatively, to evaluate existing programs.

The first objective of the project is to measure the consequences of exclusion, especially as they concern the size and persistence of income inequalities and poverty. There is ample empirical evidence showing that in the United States group membership has sizable associations with personal income even after individual characteristics have been controlled (typically, for example, individual human capital characteristics that are observed in socioeconomic data sets are consistent with less than 35% of the variance in income). The project attempts to document whether similar group effects are present in Latin America and the Caribbean and, in addition, the extent to which group effects can account for the observed inequalities.

Specifically, we would like to know to what extent being identified with specific religious groups, being located in particular neighborhoods or areas, or having a certain ethnic origin, race, nationality, or socioeconomic status is associated with the following socioeconomic outcomes: income or consumption levels, schooling levels or other forms of education and training, health and nutrition status, type of employment (e.g., formal or informal sector), type of occupation and sector of activity.

The second objective of the project is to understand the main mechanisms of social exclusion in Latin America and the Caribbean. Two broad mechanisms of exclusion are mentioned above, but many doubts exist regarding the main channels through which social exclusion operates. Social exclusion, for example, may mainly operate through cultural norms that are transmitted through social interactions at the community level and allow the exclusion of those who do not talk, dress or behave in certain ways. Alternatively, social exclusion may

operate through informal networks that provide access to job and educational opportunities. Similarly, colleges and schools can also be important means of social exclusion. Finally, social exclusion may operate indirectly through prices.

Specifically, we would like to identify the main channels through which group membership affects the variables such as those listed above. These channels might include the following: access to credit, access to insurance or social protection, access to jobs, access to public services or subsidies (e.g., education, health, infrastructure), access to private services or markets (e.g., universities, transportation).

The third specific objective of the project is to identify policy interventions. The policy interventions that can be derived from this framework may be complementary to the traditional prescriptions of increasing access to education, health services and labor and capital markets. Policies in this realm usually aim to increase societal integration (i.e., to ameliorate the cleavages that allow social exclusion to take place). These policies can include charter schools, scholarship programs to private elite universities, improved employment information and the like. Our ultimate goal is to understand the scope and importance of such policies in Latin America and the Caribbean and their effectiveness in the region.

Given these objectives, proposals given higher priority for inclusion in the project displayed the following characteristics:

1. Clear definition of what types of social exclusion are analyzed.
2. Data sets with information that permits studying important aspects of this topic.
3. Clear methodology for identifying the mechanisms through which exclusion affects individuals.
4. Clear sets of hypotheses that have policy relevance.

Section 3 below briefly summarizes and synthesizes the five studies that were selected for this project.

2.3 Methodology

Many studies have approached social exclusion descriptively. Ethnographic studies describing the mechanisms of exclusion and the community norms that usually prevent the poor from improving their lives have long been a staple of sociology. Among recent studies, the work of Wilson (1992) has been very influential, with painstaking descriptions of the ways in which Black youth from the Chicago ghettos are denied opportunities for advancement.

In the economics literature, previous studies have tried to estimate the effect of group membership on socioeconomic performance. The general idea behind most of these studies is that estimating some variant of the following linear approximation provides information on the extent of social exclusion:

$$Y = c + X_1\beta_1 + X_2\beta_2 + C_1\gamma_1 + C_2\gamma_2 + \alpha Z + e \quad (1)$$

where Y is an indicator of socioeconomic performance for an individual (e.g., school enrollment, school attainment, health clinic usage, employment, wage rate, formal sector job), X_1 is a set of observable personal characteristics (age, sex, etc.) for that individual, X_2 is a set of unobservable characteristics (e.g., ability, work ethic) for that individual, C_1 is a set of observable characteristics for the community in which the individual lives (e.g., market prices, climate and other exogenous conditions), C_2 is a set of unobservable community characteristics, Z is an indicator of membership in a group or of some relevant attribute of the group of which the individual is a member and e is a stochastic term to reflect chance events. The group can be defined by geographical proximity (e.g., a neighborhood, a city), demographic characteristics (e.g., religion, ethnicity, migrant status), class, or affiliation with some institution such as a school or a firm.⁸

The coefficient α can be interpreted as a measure of the strength of group effects. High values of α point to the presence of social exclusion, as they indicate the importance of group membership for access to economic opportunities. With good estimates of equation (1), the relative importance of group membership in the overall variance of the socioeconomic index of interest (Y) can be determined by variance decomposition of equation (1) to find $\text{var}(\alpha Z)/\text{var}(Y)$. Interactions can be added to equation (1) to explore, for example, whether group membership

interacts with individual characteristics such as sex or with community characteristics such as the nature of schools and job markets.

This approach, however, faces the following challenges:

- (1) Finding variables that accurately represent Z . A pragmatic approach is to investigate whether different categories of group memberships that are available in the data have significant effects. But there is no guarantee that particular data sets include indicators of membership in the most relevant groups.
- (2) Obtaining estimates of the effects of Z that are not contaminated by unobserved variable biases from unobserved individual (X_2) or community (C_2) variables. To lessen such possibilities, it is desirable that as many as possible of the relevant individual and community variables be controlled in the estimates (e.g., through expanded efforts at measuring them or through fixed effects).
- (3) Disentangling true group effects from the aggregation of a number of individual effects if the dependent variable is identical to or closely related to the group indicator (e.g., individual schooling, group average schooling). Manski (1993, 1995) has called this the “reflection problem.” For example, if all members of one group, defined by geography or by some demographic characteristics, perceive there to be relatively low returns to schooling relative to those perceived by others, the component of Z representing average schooling for the group is likely to be significant in econometric estimates not because the average schooling for the group *causes* low individual schooling but because schooling for all members of the group is responding to the perceived low returns to schooling.
- (4) Assessing the impact of group membership if there is correlation between group membership and individual or community characteristics. The expression $\text{var}(\alpha Z)/\text{var}(Y)$ ignores such covariances. One alternative is to present both this expression and the one in which all the covariances between group memberships and individual and community characteristics are included in the numerator in order to see

⁸ Case and Katz (1991), Crane (1991), Borjas (1995a), Cutler and Glaeser (1997) and Kremer (1997) are a few

how sensitive the calculation of the contribution of the group effect is to the two extreme treatments of these covariances.

From the point of view of this project, the most desirable strategy would be to estimate an equation such as (1)—including variants with interactions—where the dependent variables are measures of socioeconomic performance (including both human resource investments and market outcomes) and the independent variables include information on group membership as well as all relevant correlated individual and community characteristics. Such estimates would make it possible to assess: (i) the extent to which membership in these groups affects opportunities to achieve an adequate standard of living through human resource investments and aspects of market access, (ii) which types of group membership are most important empirically, (iii) what proportions of the variations in the socioeconomic variables investigated are accounted for by group memberships, (iv) whether the impacts of group membership are similar across the various socioeconomic indicators, as would be the case if there are general patterns of social exclusion for particular groups, and (v) whether group membership, and thus social exclusion, affects access to social services and other policy-related indicators.

Readily available data sets, such as usual household surveys, permit only limited exploration of these issues. An objective of this project has therefore been to identify researchers and data sets that permit more extensive examination of these issues and to encourage and support such examination with the benefits of a multi-country perspective.

3. Country Studies

The standard procedure for Inter-American Development Bank Research Networks was followed. The research competition was announced in a form like that of Section 2 above, applications were solicited, and a set of studies was selected by the review committee (the three editors of this project) based on the criteria in the announcement of the competition. Five country studies, for Brazil, Bolivia, Costa Rica, El Salvador and Mexico, were selected from the 30 proposals submitted.

Apart from addressing the central objectives of the project, the particular combination of country-studies chosen is interesting for several reasons. Not only do most studies use very

notable studies of this type. See the Annotated Bibliography in Appendix 1.

different types of non-conventional data sets, but each study also uses different econometric techniques for avoiding some of the interpretation problems discussed in Section 2. The studies also point out that the most obvious policy responses are not always the best options. There is no standard recipe for fighting exclusion. The rest of this section summarizes each of the five studies, highlighting their methodological particularities and policy recommendations.

3.1 Social Exclusion and the Two-Tiered Health Care System of Brazil

In their study for Brazil, Denisard Alves and Christopher Timmins focus on the implicit exclusion that occurs in the Brazilian health care system where, by means of differential pricing and quality of services, some sectors of the population are effectively excluded from obtaining adequate health care.

The authors first describe the Brazilian healthcare system in detail and argue that its quality is very low, with high shadow prices explained by long waiting times and travel costs. These “hidden” costs often discourage poor households from using the public system. Since the poor are not able to afford higher-quality private services, they end up underutilizing healthcare, if they ever use it at all. By contrast, richer households pay higher up-front costs for private medical care and are able to obtain better services.

Even though the discussion of the Brazilian system is interesting, the authors admit that it constitutes descriptive evidence with no proof of social exclusion. A more formal analysis is carried out using the 1998 wave of the national household survey (PNAD). This particular round of the survey allows for this type of analysis, as it includes a special supplement with information on health conditions, healthcare consumption, and the types of health services used by the population.

Their first approach to identifying mechanisms of social exclusion consists of estimating a set of probit regressions that identify the population subgroups that are more prone to use public health services. The limitation of this approach, noted by the authors, is that it does not provide a way of quantifying the welfare costs of this type of exclusion. Therefore, they develop a formal model of health care and insurance choice. One important feature of the model is that it incorporates measures of the shadow price of accessing the public health system. The data allow the estimation of such measures for each individual in the sample, which makes the empirical analysis feasible.

The authors use the model, and the estimated shadow prices, to examine the welfare effects (reduced access) of increasing the price of public healthcare. They conclude that individuals living in the south region of the country, belonging to Black or mixed racial groups, above 60 years of age, and with lower levels of education will be more vulnerable to price increases than the rest of the population. These effects support the view that these are the groups in the Brazilian society that suffer the most from inadequate health services.

In order to explore some of the policy implications of their analysis, the authors also perform simulations of the welfare effects of subsidizing private healthcare services. Surprisingly, the population groups that are currently excluded from the system would *not* benefit most from this measure, since they still have to pay high shadow prices for accessing them. This type of policy would benefit higher-income individuals in the most developed regions of the country and therefore would imply a transfer of rents to the rich.

The analysis finally suggests that expanding public infrastructure, and therefore, decongesting the current public health care system, might be the best way to “include” the excluded groups in the benefits of health care, in the hope that this will permit them to live longer and healthier lives.

3.2 Residential Segregation in Bolivian Cities

George Gray Molina, Ernesto Pérez de Rada, and Wilson Jiménez explore the effects of residential segregation in Bolivian cities. Even though this is the type of exclusion most studied in the literature, the study provides an innovative approach. The question they address is whether living in certain geographic areas negatively affects incomes and schooling attainment. Since indigenous groups constitute a large proportion of the Bolivian population, one important challenge is to disentangle the economic effects of ethnicity and other personal characteristics from the effects of living in specific neighborhoods.

The paper reaches two main conclusions. First, living in specific geographic areas within Bolivian cities has a negative and significant effect on incomes. Second, individuals living in segregated geographic areas and belonging to certain racial groups have lower incomes and lower educational attainment, probably because of social exclusion.

The paper first discusses an analytical framework, which consists of adapting an existing model to the particular case of segregation in Bolivian cities. Within this discussion, the three

main econometric problems of the analysis are highlighted. The first of these problems is reverse causality, which is a standard problem in this context, since residential segregation might be the result of poor economic outcomes rather than a cause for them (that is, exclusion determines location and not vice versa). To address this problem, the authors propose three different types of instrumental variables.⁹ The first consists of data on residential settlements 25 years ago. The second consists of data on changes in residential location after a drought-induced migratory shock, which generated a pattern of migration into several Bolivian cities characterized by an even distribution of migrants into low-income and high-income neighborhoods. The third uses data on population density in order to include some information on the geographic features of the largest cities, which are expected to be important determinants of location.

The second econometric problem is omitted variable bias. This problem originates because income and schooling (which are the main variables of interest) may be influenced by unobserved parental and community characteristics that can be correlated with the neighborhood variables. Parental and community-level attributes are included in the econometric estimations in order to reduce this bias, but, as argued by the authors, some biases may persist.

The third problem arises because, if individuals are able to change location at will, econometric analysis may not capture the effect of neighborhood on outcomes, even if segregation does have an adverse effect on incomes and schooling. The authors propose using information on younger cohorts, which presumably have not made their location choices yet. Additionally, they propose incorporating information on the migrant or non-migrant situation of the household to reinforce controls on mobility. These two additional variables help assure the reader that the effects captured by the econometric estimations can be interpreted as evidence of social exclusion.

One interesting feature of this paper is the data used for the analysis. The authors perform some tests on the information from the standard household survey for Bolivia (the Mecovi household survey for 1999), which includes data on self-reported ethnicity and geographic

⁹ In instrumental variable estimates right-side variables are replaced by estimated values (based on “instruments”) that hopefully are independent of the disturbance term (i.e., of the unobserved individual and community variables on the right-side of relation 1 above). If the instruments themselves are independent of the disturbance term, if they do not belong in the relation of interest being estimated, and if they account for sufficient variance in the right-side variable(s) being instrumented, the result will be consistent estimates of the effects of right-side variables. This method may help eliminate biases due to right-side variables that reflect current or past behaviors or omitted variable biases. Finding instruments that satisfy the three conditions noted above often is difficult, and not all studies that purport to have such instruments are persuasive in this regard (e.g., see Rosenzweig and Wolpin, 2000).

location, as well as a set of socioeconomic variables and personal characteristics. However, since the survey does not contain enough information for constructing adequate instrumental variables or to address omitted variables bias, the authors conducted a new survey for the purposes of this project. They collected detailed information for two neighborhoods in the cities of La Paz and El Alto. The sample, consisting of 801 households in 43 neighborhoods, is representative of the three main socioeconomic strata (high, middle and low income households), and of the entire metropolitan areas of each city. The Mecovi survey questionnaire is used for collecting basic socioeconomic characteristics, but additional questions are added to include information on parental ethnic background and language, human and social capital formation, and perceptions of segregation.

The econometric analysis leads the authors to conclude that living in a segregated neighborhood adversely affects labor income and educational attainment. This is so after controlling for personal characteristics and community background. On the whole, the evidence hints at the existence of geographically based exclusion in the main Bolivian cities.¹⁰

3.3 Social Exclusion of Nicaraguans in the Urban Metropolitan Area of San José, Costa Rica

Edward Funkhouser, Juan Pablo Pérez Sainz and Carlos Sojo address whether Nicaraguans migrating to Costa Rica have lower socioeconomic status because of social exclusion due to nationality. The question is highly relevant for Costa Rica, if only because around 450,000 Nicaraguans migrated to this country during the 1990s. Arguments can be made to the effect that the presence of Nicaraguans has deeply transformed Costa Rican society.

Interestingly, there are relatively few ethnic, language, and even cultural differences between Nicaraguans and Costa Ricans that could account for the differences in labor market outcomes. The study argues that the reason why Nicaraguans have lower socioeconomic status is *not* because of their nationality, but because of their legal status. Most Nicaraguan migrants have entered the country illegally and therefore are likely to receive different legal treatment. This finding has important policy implications, as it directs public action towards a set of

¹⁰ One surprising result arises from the analysis. Apparently, residential segregation tends to have a stronger negative effect on income for second-generation migrants. First-generation migrants seem to benefit from social capital networks, which have a positive effect on income and minimize the effect of spatial segregation.

interventions aimed at easing legal conditions rather than at creating jobs for Nicaraguans or creating mechanisms for preventing discrimination.

As in the Bolivian study, the standard household survey available for Costa Rica has many limitations for the task at hand, mainly because it was not designed to study social exclusion. Therefore, the authors conducted a survey for this study. The new survey was carried out in the metropolitan area of San Jose. It comprises 398 households and uses a questionnaire especially designed for study social exclusion. One feature of the new survey is that it includes sampling units from neighborhoods with high, medium and low presence of Nicaraguans. Comparisons between the aggregate values of socioeconomic variables in the National and the new survey assure the reader that the data collected for this study is reliable.

The data show that Nicaraguans in Costa Rica are not so much an “excluded” group as an illegal one. It is shown, for instance, that Nicaraguans do not live in segregated neighborhoods: even in neighborhoods with large proportions of Nicaraguans, Costa Ricans are a majority. Moreover, Nicaraguans do have access to labor markets, and Nicaraguan women have even higher participation rates than their Costa Rican counterparts.

Surprisingly, the data do not indicate that Nicaraguans are excluded, at least in the sense used in this paper. The main explanation for the gap in socioeconomic level is legal status. The policy implication is that an important measure to improve the standard of living of Nicaraguans living in Costa Rica is increasing the probability of legal residence through the elimination of passport or other document requirements, or simply through an amnesty that changes the legal situation of this group of society.

3.4 Geographic Exclusion in Rural Areas of El Salvador: Its Impact on Labor Market Outcomes

In this paper Ana Regina Vides, Anabella Lardé and Lissette Calderón analyze the effects of spatial isolation on labor force participation, sector of employment and labor income levels in the rural areas of El Salvador.

The study uses a rural household survey conducted by the Salvadoran Foundation for Economic and Social Development in 1999. This survey contains extensive information about

access to markets and other measures of spatial isolation.¹¹ The main argument of the paper is that people living in isolated areas are excluded from the mainstream economy and therefore have lower socioeconomic status and fewer employment opportunities. Lack of roads, and of transportation infrastructure in general, is therefore the main mechanism through which social exclusion operates in rural El Salvador.

Lack of infrastructure creates a combination of security hazards and transaction and moving costs that reduces labor force participation and forces workers into jobs with low productivity. These outcomes in turn prevent individuals from moving away from isolated areas, thus completing a vicious circle. The evidence provided by the authors suggests that social isolation is particularly deleterious in the case of woman. Women living in isolated areas tend to have much lower labor force participation rates and lower incomes, and they tend to concentrate in the sectors with the lowest productivity.

The main policy implication of the analysis is that building new roads and expanding public transportation and household services such as water and electricity may have a larger impact on the socioeconomic conditions of isolated individuals than standard poverty alleviation programs, or even public health and education provision. Well-educated individuals would fare better, even under the unfavorable conditions of isolation, but the evidence provided in this paper suggests that if traditional social spending is not complemented with policies aimed at reducing isolation, their impact on the standard of living will be limited.

3.5 Schooling Inequality among the Indigenous: A Problem of Resources, or Language Barriers?

Among the five country-studies included in this project, the only one to focus primarily on social exclusion based on ethnicity is the study for Mexico. This type of exclusion is highly relevant in a large set of Latin American countries, where the indigenous are characterized by faring much worse than other groups of society. Even though the most common mechanism of social exclusion in terms of ethnicity is outright discrimination, the study by Susan Parker, Luis Rubalcava and Graciela Teruel shows that there are more subtle mechanisms of exclusion that are strong determinants of key socioeconomic characteristics.

¹¹ Questions for access to markets include “travel time to closest paved road” and other similar indicators. The location index has two components: one that measures access to all urban jobs and another that measures access to

The paper explores the extent of social exclusion through differences in schooling attainment. The authors find that children who only speak indigenous languages fare much worse in school than similar indigenous children who differ only in terms of knowledge of Spanish. After controlling for family and community characteristics, they provide evidence that language barriers and cultural factors faced by monolingual indigenous children prevent them from benefiting from the schooling system to the same extent as bilingual indigenous children. Therefore, it is not access to schools per se, but the specific types of education to which different children have access, which act as a mechanism of social exclusion.

The analysis undertaken by the authors requires detailed data on ethnic background, language spoken, and parental socioeconomic characteristics. This kind of information is only available in Mexico from the Encaseh survey undertaken especially for evaluating the effects of the Progresá Program.¹² This is the data used in this research. The Encaseh survey is supplemented with school level information and variables characterizing the quality and quantity of infrastructure from the Ministry of Education. This allows the link of detailed personal data with characteristics of available schools.

The paper starts with a description of schooling attainment of indigenous children and shows that, in general, monolingual indigenous children have lower schooling outcomes than their bilingual counterparts. However, given the limitations of the descriptive analysis, the authors undertake a more formal approach based on the framework described in Section 2. The main challenge is to distinguish between the effects of cultural and language barriers versus social and economic factors affecting schooling outcomes of indigenous children. The central question addressed is whether there is evidence that the poorer performance of monolingual children is due to their worse economic condition, or whether the outcome is the result of other factors such as language barriers. This issue is highly relevant from the policy point of view because, if the answer is that economic variables explain schooling lags, then the introduction of anti-poverty programs would perhaps be the best response. On the other hand, if language barriers are more important, a different policy approach is indicated.

Empirical estimations for addressing these questions face several problems, which are addressed by the authors. The main issue is endogeneity of language choice. Households may

jobs in free trade zones.

¹² The Encaseh survey is the Survey of Household Socio-economic Characteristics. Progresá is the acronym for the Program for education, health and nutrition.

choose not to learn Spanish or not to attend school at all due to cultural reasons, and these decisions may be reflected in failure to achieve the standards set by the schooling system. Instrumental variables are used to minimize this potential problem.

In order to improve the understanding of the differential effect of language barriers versus unobserved cultural factors, the authors examine the impact that bilingual education may have on schooling outcomes for indigenous children.¹³ This is an important question, since the Mexican government recently embarked on an ambitious initiative of expanding bilingual (Spanish-indigenous language) education. The conclusion from this exercise is that bilingual schools significantly improve schooling outcomes of monolingual children, and they actually contribute to narrowing the schooling gap between these children and the bilingual indigenous.

Thus, the results support the view that policy interventions such as expanding access to bilingual schools for indigenous monolingual children may have a strong positive effect on their ability to benefit from the public schooling system. Thus, bilingual schooling may be an important instrument for “including” excluded groups of society in order to obtain the benefits of development.

4. Concluding Remarks

This project attempts to start to fill an important gap—the paucity of research on social exclusion—in the literature on the causes of poverty and inequality in Latin America. The project aims not only to generate some evidence that may be useful for policy design, but also to illustrate the challenges imposed by such a difficult topic.

The collection of studies included in the project illustrates the problems of finding adequate data, as well as how some of the main methodological problems may be addressed, and show that it is possible to address this important issue rigorously.

We hope that the country studies included in this project will further motivate the interest in this topic, and most importantly, that they will provide incentives to other researchers to embark on systematic research on these important and fascinating questions.

¹³ To implement this analysis, data from the Education Ministry on location of bilingual schools are merged with the Encaseh data.

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Table 1.

Groups Most Discriminated Against			
Country	Blacks	Indians	the poor
Panama	32.0%	13.3%	21.2%
Mexico	3.8%	46.9%	25.5%
Bolivia	1.5%	46.9%	26.5%
Guatemala	2.3%	58.7%	26.9%
Peru	22.1%	26.6%	28.7%
Brazil	49.8%	0.7%	29.5%
Ecuador	21.1%	31.8%	30.6%
Uruguay	18.6%	0.1%	30.9%
Costa rica	4.4%	11.0%	31.5%
Honduras	4.6%	6.9%	35.3%
Chile	1.2%	22.2%	36.6%
Colombia	17.3%	11.3%	39.8%
Argentina	4.9%	3.8%	40.5%
Paraguay	0.4%	18.9%	44.8%
Venezuela	10.9%	23.1%	45.4%
Nicaragua	5.4%	3.1%	60.3%
El Salvador	0.5%	0.5%	69.1%

Figure 1. Discrimination against Indians by Country

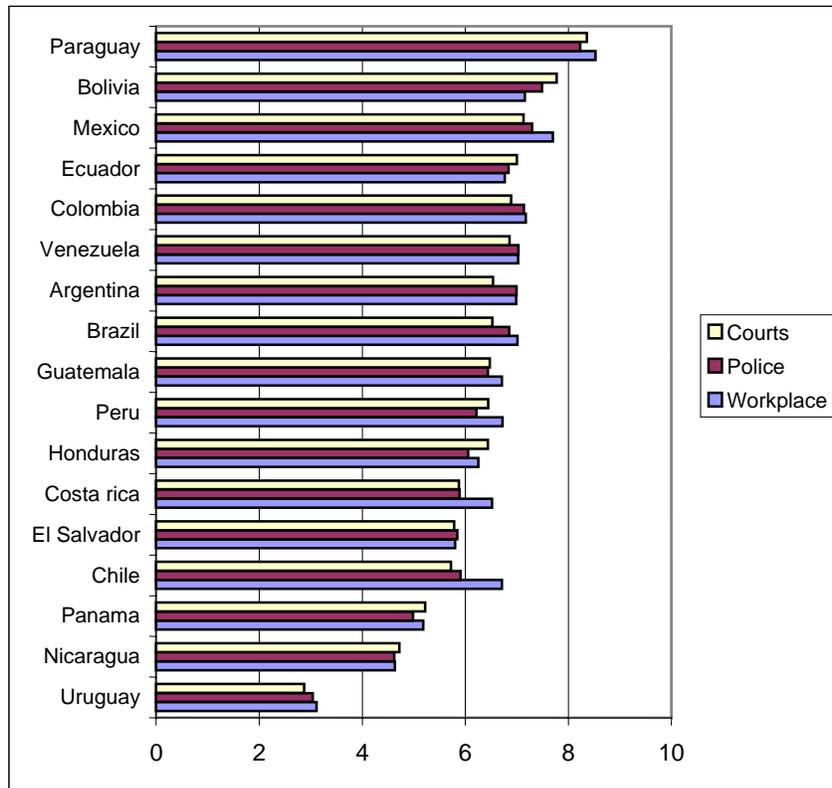


Figure 2. Discrimination against Blacks by Country

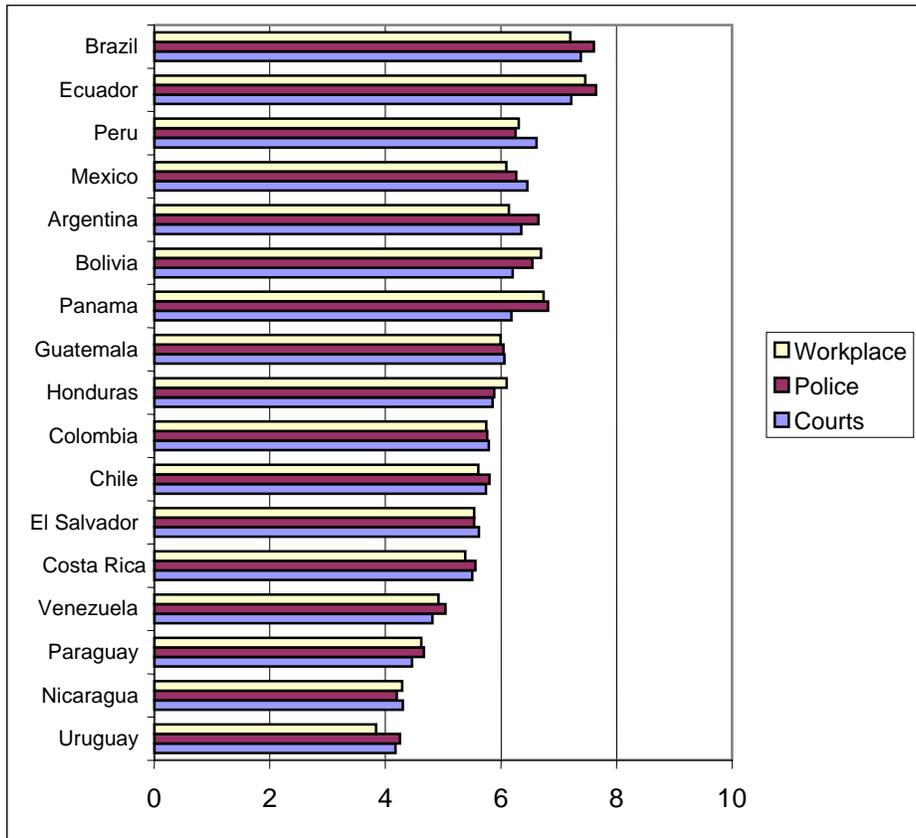


Figure 3. Discrimination against Blacks and Indians by Race

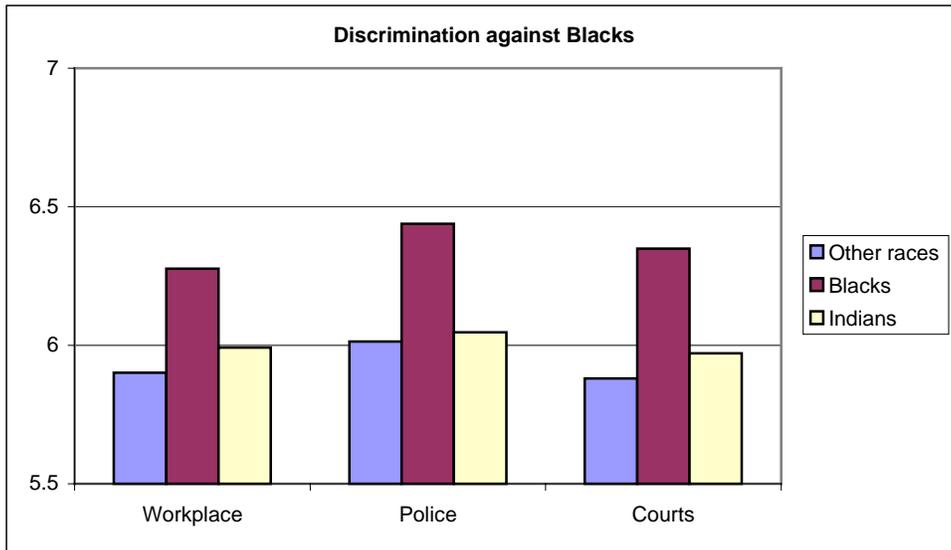
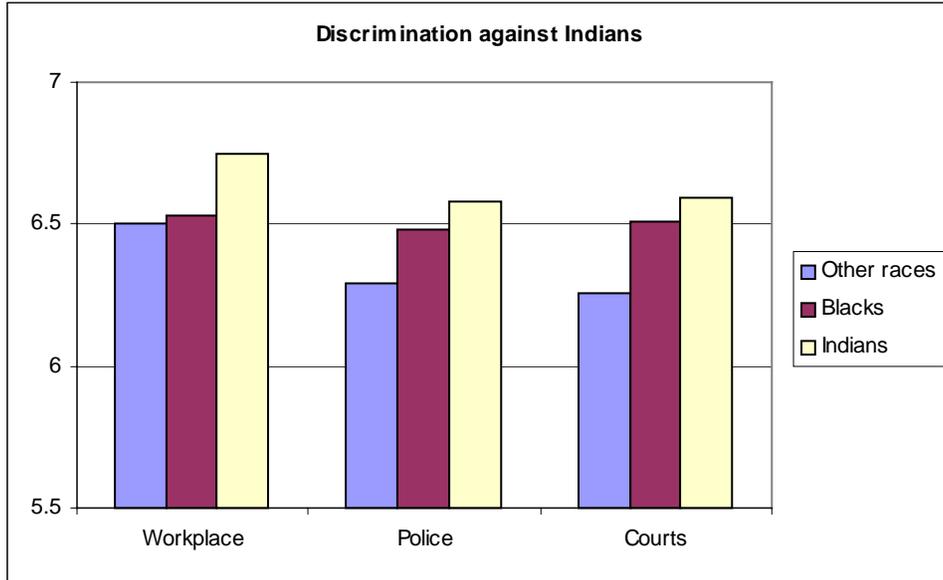


Figure 4. Population Shares by Quintile and by Race

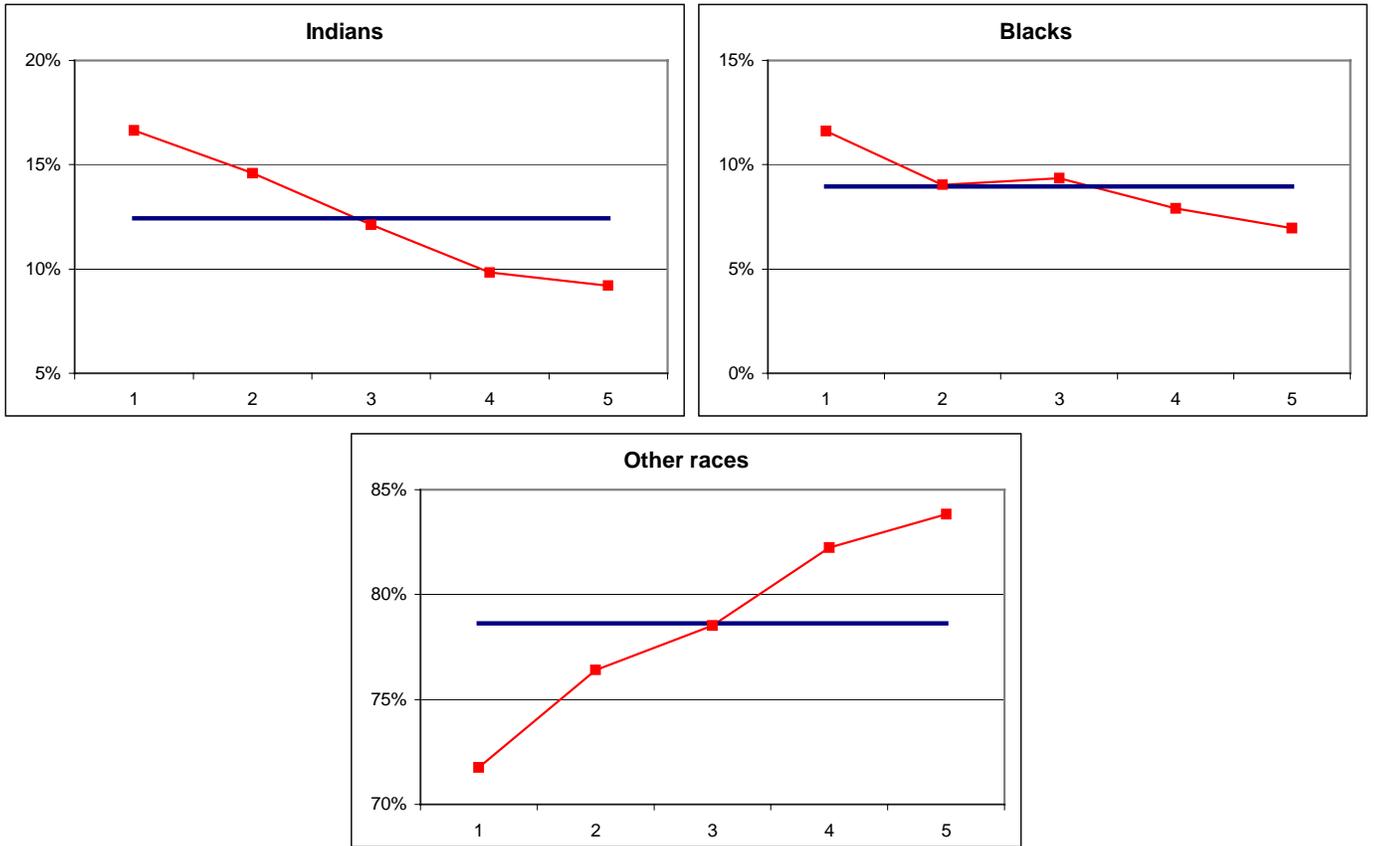


Figure 5. Participation in Politics by Race

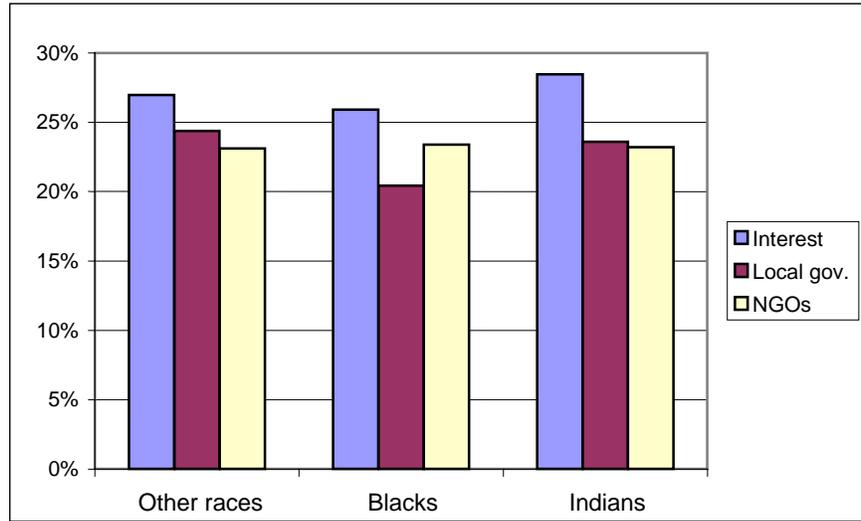


Figure 6. Membership in Civic Associations by Race

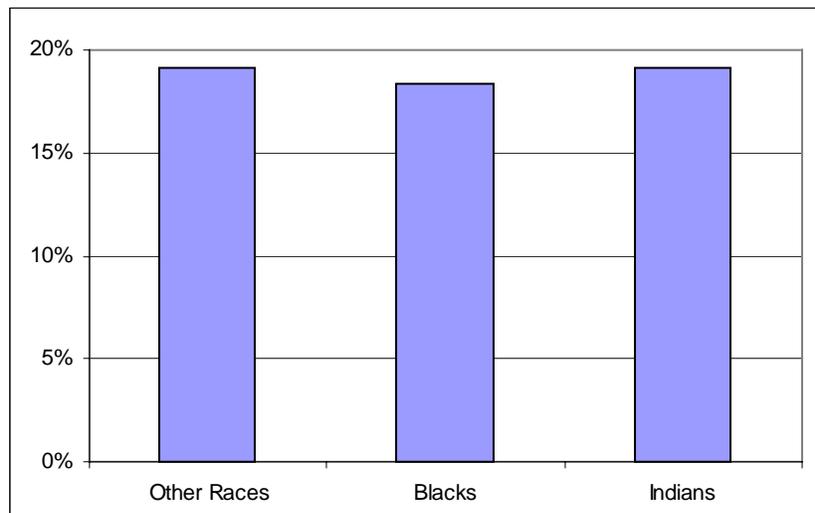
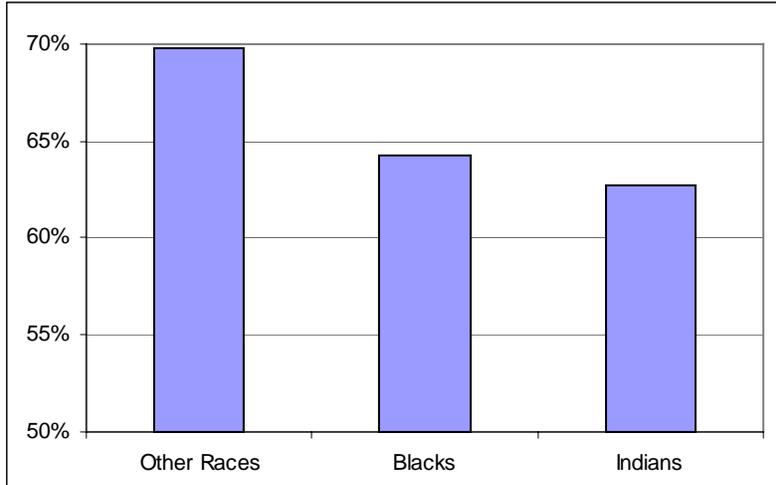


Figure 7. Percentage of Individuals Not Satisfied with their Lives by Race



Appendix 1. Annotated Bibliography on Social Exclusion

Bayon, M.C., Roberts, B., Saravi, G.A. 1998. "Social Citizenship and the Informal Sector in Latin America." [Spanish] *Perfiles Latinoamericanos* 7(13): 73-111. Explores the intermeshing of the informal sector with the development of social citizenship in Latin America. Because the construction of social citizenship has been strongly influenced by employment, implications of the latter for the post-WWII system of stratification and social integration are discussed, analyzing their inherent limitations in terms of social exclusion. In a context of labor market changes and minimization of the state role, emergent alternative models of welfare provision are assessed.

Borjas, G.J. 1995. "Ethnicity, Neighborhoods, and Human-Capital Externalities." *American Economic Review* 85(3): 365-90. The socioeconomic performance of today's workers depends not only on parental skills but also on the average skills of the ethnic group in the parents' generation (or ethnic capital). This paper investigates the link between ethnic externality and ethnic neighborhoods. The evidence indicates that residential segregation and the external effect of ethnicity are linked, partly because ethnic capital summarizes the socioeconomic background of the neighborhood where the children were raised. Ethnicity has an external effect, even among persons who grow up in the same neighborhood, when children are exposed frequently to persons who share the same ethnic background.

----. 1995. "Assimilation and Changes in Cohort Quality Revisited: What Happened to Immigrant Earnings in the 1980s?" *Journal of Labor Economics* 13(2): 201-45. This article uses the 1970, 1980, and 1990 Public Use Samples of the U.S. census to document what happened to immigrant earnings in the 1980s and to determine if pre-1980 immigrant flows reached earnings parity with natives. The relative entry wage of successive immigrant cohorts declined by 9 percent in the 1970s and by an additional 6 percent in the 1980s. Although the relative wage of immigrants grows by 10 percent during the first two decades after arrival, recent immigrants will earn 15-20 percent less than natives throughout much of their working lives.

----. 1998. "To Ghetto or Not to Ghetto: Ethnicity and Residential Segregation." *Journal of Urban Economics* 44(2): 228-53. This paper analyzes the link between ethnicity and the choice

of residing in ethnically segregated neighborhoods. Data drawn from the National Longitudinal Surveys of Youth show that there exist strong human capital externalities both within and across ethnic groups. As a result, the segregation choices made by particular households depend both on the household's economic opportunities and on aggregate characteristics of the ethnic groups. The evidence suggests that highly skilled persons who belong to disadvantaged groups have lower probabilities of ethnic residential segregation.

Case, A. 1992. "Neighborhood Influence and Technological Change." *Regional Science and Urban Economics* 22(3): 491-508. This paper presents an estimation scheme that allows individuals to be influenced by neighbors when making discrete choice decisions. The model developed is used to test interdependence in farmers' attitudes toward the adoption of new technologies in Indonesia. Strong neighborhood effects are found and appear to be robust to changes in specification. In addition, the results suggest that failure to control for neighbors' influence may bias estimation of parameters of interest.

Case, A., and L. Katz. 1991. "The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths." NBER Working Paper 3705. Cambridge, United States: National Bureau of Economic Research. This paper examines the effects of family background variables and neighborhood peers on the behavior of inner-city youths in a tight labor market using data from the 1989 NBER survey of youths living in low-income Boston neighborhoods. It finds that family adult behaviors are strongly related to analogous youth behaviors. The links between the behavior of older family members and youths are important for criminal activity, drug and alcohol use, childbearing out of wedlock, schooling, and church attendance. It also finds that the behavior of neighborhood peers appear to substantially affect youth behaviors in a manner suggestive of contagion models of neighborhood effects.

Cousins, C. 1998. "Social Exclusion in Europe: Paradigms of Social Disadvantage in Germany, Spain, Sweden and the United Kingdom." *Policy and Politics* 26(2): 127-146. Reviews contemporary discussions of the concept of social exclusion in Europe and examines different paradigms of inclusion and exclusion in selected European countries. Focus is on linking the literature on social exclusion with the debate on welfare regimes and labor market structures and

mechanisms of social protection. Drawing on recent comparative analyses, also considers is how women and ethnic minority groups, as well as different social classes, are included or excluded in different welfare regimes.

Crane, J. 1991. "The Epidemic Theory of Ghettos and Neighborhood Effects on Dropping Out and Teenage Childbearing." *American Journal of Sociology* 96(5): 1226-59. This article proposes that ghettos are communities that have experienced epidemics of social problems. One important implication of this theory is that the pattern of neighborhood effects on social problems should be non-linear. As neighborhood quality decreases, there should be a sharp increase in the probability that an individual will develop a social problem. This hypothesis is tested by analyzing the pattern of neighborhood effects on dropping out and teenage childbearing. The analysis strongly supports the hypothesis. Even after controlling for individual characteristics, Blacks and white adolescents living in the worst neighborhoods face a much greater risk of dropping out and having a child.

Crane, J. 1996. "Optimal Resource Allocation Strategies for Reducing the Incidence of Contagious Social Problems." *Journal of Socio-Economics* 25(2): 245-269. Strategies for the allocation of resources across communities and among different objectives to minimize the social costs of contagious social problems are examined. Analysis of the dynamics of contagion reveal the possibility of multiple equilibria points and the probable need to allocate resources in different ways for prevention and cure. Both simple and complicated models of contagious social problems are analyzed. Under a fairly broad range of realistic assumptions, the optimal strategy for allocating resources among curative interventions is sequential saturation. The optimal preventive strategy entails allocation of resources such that the marginal net benefit of the last dollar spent on prevention should be equalized in all communities where money is spent.

Cutler, D.M., and E. Glaeser. 1997. "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* 112: 827-73. Spatial separation of racial and ethnic groups may theoretically have positive or negative effects on the economic performance of those groups. This paper examines the effects of segregation on outcomes for Blacks in schooling, employment, and single parenthood. They find that Blacks in more segregated areas have significantly worse outcomes

than Blacks in less segregated areas. They control for the endogeneity of location choice using instruments based on political factors, topographical features, and residence before adulthood. A one standard deviation decrease in segregation would eliminate one third of the Black-white differences in most of the paper's outcomes.

Cutler, D.M., E.L. Glaeser and J.L. Vigdor. 1999. "The Rise and Decline of the American Ghetto." *Journal of Political Economy* 107(3): 455-506. This paper examines segregation in American cities from 1890 to 1990. The modern Black ghetto was born between 1890 and 1940, following waves of migration from rural to urban areas. Ghettos expanded further as Black migration continued between 1940 and 1970. Since 1970, Black movement into formerly all-white areas of cities and suburbs has led to a decrease in segregation. Across time, segregation levels are consistently related to measures of city size. Data on house prices and attitudes toward integration suggest that the mechanisms enforcing segregation have changed, since 1940, from collective or institutional barriers to decentralized racial preferences.

De Haan, A. 1998. "'Social Exclusion': An Alternative Concept for the Study of Deprivation?" *IDS Bulletin-Institute of Development Studies* 29(1): 10-19. Introduces the concept of social exclusion and compares it to notions of deprivation, which are more common in development studies. The concept originated in France, spread through European Union policy and research organizations, has recently become a buzzword in the UK, and has reached the developing country debate through the International Institute for Labour Studies. The term has much overlap with different concepts and theories, but has several distinct advantages in that it focuses on the multidimensional character of deprivation and the processes, mechanisms, and institutions that exclude people. It is concluded that, although the theory and concept were developed in the North, they may be easily applied to the South, providing that context-dependent definitions and meanings are taken into account.

De Haan, A. and S. Maxwell. 1998. "Poverty and Social Exclusion in North and South." *IDS Bulletin-Institute of Development Studies* 29(1): 1-9. Introduces a special journal issue that contributes to debates about the rapid growth of poverty in the developed world. Poverty has become a central issue on the policy and research agendas of the European welfare states and the

US and is increasingly discussed in terms of the vocabulary of social exclusion, particularly in terms of rights, resources, and relationships. The concept of social exclusion offers a new perspective to those who work on such issues in the developing countries, particularly in its focus on the institutional processes that lead to deprivation. It is concluded that joint projects comparing social exclusion in the North and South are in order; focus should be on the specific themes of small-scale credit, participation, social and food policy, and public works.

Elliott, D.S., W.J. Wilson, D. Huizinga, R.J. Sampson, A. Elliott, and B. Rankin. 1996. "The Effects of Neighborhood Disadvantage on Adolescent Development." *Journal of Research in Crime and Delinquency* 33(4): 389-426. Drawing on census and interview data from stratified, multistage probability samples of white, black, and Latino households in Chicago, IL, and Denver, CO (total N=1,208 families), a conceptual framework for studying emerging neighborhood effects on individual development is presented, identifying specific mechanisms and processes whereby neighborhood disadvantage influences adolescent developmental outcomes. Path analyses are used to assess potential mediating factors, and the unique contribution of neighborhood effects to development is estimated using hierarchical linear modeling. Results indicate that the effects of ecological disadvantage are mediated by specific organizational and cultural features of the neighborhood. The unique influence of neighborhood effects is relatively small, but in most cases these effects account for a substantial part of the variance explained by the model.

Evans, M. 1998. "Behind the Rhetoric: The Institutional Basis of Social Exclusion and Poverty." *IDS Bulletin-Institute of Development Studies* 29(1): 42-49. Explores the institutional basis of social exclusion in Europe, drawing on a comparison of French and UK policy. The notion of social exclusion arose in European debates at the moment when the performance of welfare systems came under concerted criticism for failing to prevent poverty and for hindering economic development. Despite this common context, there are paradigmatic differences between the theoretical approaches to social exclusion developed in France and the UK. Further, the notion of social exclusion has been taken up differently in the political contexts of these countries. By taking into account the social and institutional context in which the term has been

deployed, researchers may challenge the rhetorical assumptions about welfare performance, both in the industrialized North and in less-industrialized countries with different welfare institutions.

Figueiredo, J.B. and A. De Haan, editors. 1995. *Social Exclusion: An ILO Perspective*. Geneva, Switzerland: International Institute of Labour Studies. Part of the Research Series of the International Institute for Labour Studies, this edited volume presents papers and proceedings of the final meeting of the 1994 World Summit for Social Development conference held at the University of Sussex, England. This conference proposed a research program for studying the relation between deprivation, economic growth, participation, and identity grounded in the notion of social exclusion. It was hoped that the concept of social exclusion might guide the International Labour Organization (ILO) in exploring the impact of globalization processes on policymaking in the international and national context. Debates on the notion of social exclusion have focused on how it might be operationalized as a multidimensional construct. Several participants emphasized that the concept might link macrolevel effects of globalization with microlevel dynamics of individual consumption. However, participants expressed the view that indicators must be developed to empirically measure the level of social exclusion in any particular society. ILO and other practitioners from international and regional bodies suggested how the notion of social exclusion might shape policy making. Together, academics and professionals outlined a research and policy agenda for the ILO that included exploration of how social exclusion might be operationalized and measured, how social exclusion opens the way for the development of a normative framework on globalization and a new paradigm on the nature of social justice, and opportunities to form organizational partnerships that focus on institutional change.

Gaventa, J. 1998. "Poverty, Participation and Social Exclusion in North and South." *IDS Bulletin-Institute of Development Studies* 29(1): 50-57. Discusses the links between the concepts of participation and social exclusion, drawing on an analysis of three government programs in the US that have attempted to use participation and community action to address social exclusion. There is a paradox of participation in the North in that, as inequality grows between the haves and have-nots, the level of social participation of the have-nots is greatly reduced. In all three US programs, opportunities for participation were increased, especially among those

with prior social capital and organizational capacity. However, it is argued that participatory approaches for dealing with social exclusion must be linked to other policies for change if real improvement is to be made. While these programs have had some success in the US, researchers should be wary of trying to export them to the South, where democracy and participation are much weaker traditions.

Kremer, M. 1997. "How Much Does Sorting Increase Inequality?" *Quarterly Journal of Economics* 112(1): 115-39. Some commentators argue that increased sorting into internally homogeneous neighborhoods, schools, and marriages is radically polarizing society. Calibration of a formal model, however, suggests that the steady-state standard deviation of education would increase only 1.7 percent if the correlation between neighbors' education doubled and would fall only 1.6 percent if educational sorting by neighborhood disappeared. The steady-state standard deviation of education would grow 1 percent if the correlation between spouses' education increased from 0.6 to 0.8. In fact, marital and neighborhood sorting have been stable, or even decreasing, historically. Sorting has somewhat more significant effects on intergenerational mobility than on inequality.

Kruijt, D. 1998. "Poverty, Informality and Social Exclusion in Latin America and Europe: A Comparison between the Concepts of Class in the European and Latin American Poverty Debate." [Dutch]. *Tijdschrift voor Arbeid en Participatie* 20(2): 107-120. Addresses the emergence of an underclass from a comparative perspective. The decline of employment in traditional economic sectors is a development that Third World countries and the Western world have in common. Informalization also is a worldwide process. In Latin America, this informalization has been going on for much longer than in Europe, resulting in a consolidation of informality by the emergence of parallel economies. After reviewing data on poverty in Latin American countries, it is concluded that the emergence of an underclass is not an exclusively Dutch phenomenon, and policymakers in both parts of the world could benefit from each other's experiences.

Manski, C.F. 1993. "Identification of Endogenous Social Effects: The Reflection Problem." *Review of Economic Studies* 60: 531-542. This paper examines the reflection problem that arises

when a researcher observing the distribution of behavior in a population tries to infer whether the average behavior in some group influences the behavior of the individuals that comprise the group. It is found that inference is not possible unless the researcher has prior information specifying the composition of reference groups. If this information is available, the prospects for inference depend critically on the population relationship between the variables defining reference groups and those directly affecting outcomes. Inference is difficult to impossible if these variables are functionally dependent or are statistically independent.

----. 1995. *Identification Problems in the Social Sciences*. Cambridge, United States and London, United Kingdom: Harvard University Press. Focuses on identification problems that arise when social scientists attempt to make conditional predictions. Examines the conditional predictions that can and cannot be made given specified assumptions and empirical evidence, and develops the theme that social scientists and policymakers need to acquire a greater tolerance for ambiguity. Considers some observational problems that arise in all scientific work, whether in the social or the natural sciences, addressing extrapolation, the selection problem, the mixing problem in program evaluation, and response-based sampling. Discusses common approaches and problems in predicting individual behavior. Examines the simultaneity problem that arises when observations of market transactions are used to study demand or supply behavior. Considers the reflection problem that arises when a researcher observes the equilibrium distribution of behavior in a population and wishes to learn how the average behavior in some group influences the behavior of the individuals in the group

Ratcliffe, P. 1999. "Housing Inequality and 'Race': Some Critical Reflections on the Concept of 'Social Exclusion'." *Ethnic and Racial Studies* 22(1): 1-22. Focuses on explanations of housing inequality in relation to key social divisions, e.g., race and ethnicity. Much of the recent debate about these issues, both in the academic literature and politics (especially in the European Union), has been framed in terms of social exclusion. It is argued that the term is used in a number of distinct senses, leading to considerable confusion at a conceptual level and obscuring rather than clarifying key theoretical issues. Its use also leads to oversimplified accounts of complex processes and, in some cases, to the pathologization of communities. In the latter case, its dangers mirror those of related concepts such as the underclass. Illuminating the theoretical

arguments in the current literature by reference to British data, it is concluded that the paradigm of social exclusion should be jettisoned in favor of a return to a serious analysis of social divisions in a context of debates about structure and agency.

Ruben Ameigeiras, A. 1996. "The Cultural Warp and the Social Trauma in the Ghetto Spaces of Greater Buenos Aires." [Spanish]. *Dialogica* 1(1): 343-371. Reviews current literature to examine the increasing number and concentration of poor communities in greater Buenos Aires, Argentina, resulting from rural-to-urban migration spurred by recent economic restructuring. It is argued that the widespread social despair in these heavily populated but informally structured communities is created by the cultural disruption brought about by urban living. The concept of social space is discussed, identifying the daily occurrences, elements, and symbolic manifestations particular to communities suffering from extreme poverty and social exclusion. Challenges faced by social actors in generating public recognition, relevance, and policy for the communities are also considered.

Smith, Y. 1997. "The Household, Women's Employment and Social Exclusion." *Urban Studies* 34(8): 1159-1177. Draws on 1992 interview data from 441 working-age residents and 15 women in dual-adult homes seeking employment, and 3 case studies, all from a working-class public housing estate in Sheffield, England, to examine the relationship between the household, women's labor market participation, and social exclusion. Traditional theories on the household and women's employment are overviewed, highlighting the sexual division of labor and the resulting male chauvinism toward labor participation. The data determined the socioeconomic attributes of all the residents of the housing estate, providing context for the qualitative studies. Also illustrated are household economic deprivation; value of women's employment; women's role as budget enforcer; and social isolation, gender stereotyping, and concurrent lower pay faced by women. It is suggested that socioeconomic disadvantage has a spatial element associated with public housing, and corrective policies should address the household structure in addition to the individual.

Sorensen, A. 1999. "Family Decline, Poverty, and Social Exclusion: The Mediating Effects of Family Policy." *Comparative Social Research* 18: 57-78. The post-nuclear family system,

characterized by low marriage rates, high divorce rates, extramarital childbearing, and high rates of single parenthood, has been tied to the emergence of new poverty risks and social ills, e.g., early premarital childbearing, poor educational performance of children, delinquency, etc. Here, it is shown that the link between family decline and poverty and social exclusion is considerably more complex than this argument suggests. Because the post-nuclear family system carries high economic and social risks, the consequences of this system are strongly dependent on the role the state plays in securing the economic well-being of its citizens. In the US, where welfare state guarantees are limited, stable nuclear families would improve the economic well-being of individuals. Thus, the instability of families in the post-nuclear family system has high costs for children, especially if the economic consequences of single parenthood are substantial. It is argued that the post-nuclear family system in the US differs from that found in northern Europe not only in the role played by the welfare state but also in the degree to which these patterns are emerging by choice or by misery

Wacquant, L.J.D. and W.J. Wilson. 1989. "The Cost of Racial and Class Exclusion in the Inner City." *Annals of the American Academy of Political and Social Science* 501: 8-25. Data obtained in an interview survey conducted in 1986/87 of inner-city Chicago, Ill, residents are used to compare the class composition, welfare trajectories, economic and financial assets, and social capital of Blacks in ghetto neighborhoods with those who reside in low-poverty areas (N = 356 and 405 respondents, respectively). It is argued that the interrelated set of phenomena captured by the term "underclass" is primarily social-structural. The inner city is experiencing a crisis because the dramatic growth in joblessness and economic exclusion associated with the ongoing spatial and industrial restructuring of US capitalism has triggered a process of hyperghettoization.

Wilson, W.J. 1992. "The Plight of the Inner-City Black Male." *Proceedings of the American Philosophical Society* 136(3): 320-325. Discusses the plight of inner-city black males (I-CBMs) using data from several surveys conducted 1987/88. It is shown that recent employment changes in Chicago have caused I-CBMs to seek employment in low-wage service-sector and laboring jobs. I-CBMs' difficulty in keeping service-sector jobs is explained by the absence of effective informal job networks, the availability of many illegal activities, and pressures to pursue

alternative modes of subsistence, including welfare. Reasons why employers tend to choose other minority group members over blacks are offered. It is concluded that social-structural factors are important for understanding the experiences of I-CBMs, and that cultural factors—e.g., group attitudes and orientations—also figure in the social outcomes of the inner-city poor.